UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JUDGE SULLIVAN

07 CV 11225

WILLIAM L. WESNER, Individually and On Behalf of All Others Similarly Situated, Plaintiff,	Civil Action No.
vs.	CLASS ACTION
UBS AG, PETER A. WUFFLI, CLIVE STANDISH and DAVID S. MARTIN, Defendants.	COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS
	DEMAND FOR JURY TRIAL

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INTRODUCTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of UBS AG ("UBS" or the "Company") between March 13, 2007 and December 11, 2007 (the "Class Period"), against UBS and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 ("1934 Act").

2. UBS is a global investment banking and securities firm which provides a range of financial services, including advisory services, underwriting, financing, market making, asset management, brokerage and retail banking on a global level. UBS is based in Zurich, Switzerland, with branch offices in the United States and around the globe. The Company's stock is listed on the New York Stock Exchange ("NYSE") and does not trade publicly on any other exchange.

3. During the Class Period, defendants issued materially false and misleading statements regarding the Company's business and financial results. Defendants concealed the Company's failure to write down impaired securities containing subprime debt. As a result of defendants' false statements, UBS stock traded at artificially inflated prices during the Class Period, reaching a high of $66.26 per share in April 2007.

4. In mid-July, it became apparent to the market that banks, including UBS, would be adversely affected by the mortgage meltdown. As it relates to UBS, investors would have known this information at the beginning of the Class Period had defendants taken appropriate reserves for impaired debt securities and disclosed that UBS held the same securities which one of its subsidiaries was writing down.

5. On July 23, 2007, UBS issued a press release to investors entitled "Investor Optimism Declines Slightly in July; Investors More Optimistic About Their Portfolios, But Cautious About Economy; Energy Prices and International Tension Top Investor Concerns." The press release stated in part:

Investor optimism dipped slightly in July, slipping two points to a level of 87, according to the UBS/Gallup Index of Investor Optimism. The Index is conducted monthly and had a baseline score of 124 when it was established in October 1996.

The record performance of the equity markets during the first half of July fueled a rise in the Personal Dimension of the Index, which measures investors' optimism about their individual investment portfolios, causing it to increase four points to 71. In contrast, the Economic Dimension, which measures investors' optimism about the US economy, fell six points to 16, suggesting that investors are more cautious about the outlook for the economy over the next 12 months.

"Despite the sharp rise in the stock market this summer, investors are showing concern about the health of the overall US economy given the ongoing weakness in the housing market, rising food and energy prices, and turmoil in the sub-prime mortgage market," said Maury Harris, Chief US Economist, UBS Investment Bank.

6. On August 14, 2007, UBS issued its second quarter of 2007 results, stating in part:

UBS reports net profit attributable to shareholders of CHF 5,622 million in second quarter 2007. This quarter's results include two items that had a significant impact on performance. The first item is the CHF 1,926 million post-tax gain from the sale of the 20.7% stake in Julius Baer, a result of the disposal of Private Banks & GAM in 2005. As the stake was held as a financial investment available-for-sale in UBS's accounts, the gain from its sale is included in performance from continuing operations. It is, however, no longer part of the continuing business, and UBS believes that isolating its impact provides a clearer picture of performance. The second item is the charge of CHF 229 million after tax related to the closure of Dillon Read Capital Management (DRCM), recorded in Global Asset Management. Excluding these two items, attributable profit in UBS's core operational businesses (financial businesses' attributable profit from continuing operations) would have been CHF 3,455 million, up 14% from the same period a year earlier and 9% higher than the record first quarter 2007 performance.

* * *

The performance in fixed income, however, was not satisfactory. Continued difficulties in the US mortgage securities market led to lower revenues in the rates business and further losses on some of DRCM's former portfolios, which contributed net negative revenues of approximately CHF 230 million in second quarter 2007. These developments were partially offset by robust credit fixed income results, which rose on global credit trading and proprietary strategies.

Total operating expenses rose 21% to CHF 9,695 million in second quarter 2007 from the same quarter a year earlier. Approximately a fourth of the cost rise was attributable to the closure of DRCM. For the other parts of UBS, accruals for performance-related payments increased in line with revenues. Personnel expenses

rose due to higher numbers of personnel, partially related to acquisitions, including Piper Jaffray and McDonald Investments. General and administrative expenses rose, with administration costs up partly due the inclusion of the acquisition of Banco Pactual. Professional fees rose due to the closure costs related to DRCM and higher legal fees. The expansion of UBS's businesses and the related increases in personnel drove travel and entertainment costs and expenses for office space higher. IT and other outsourcing costs rose on the increased business volume. The number of personnel in the financial businesses was 81,557 on 30 June 2007, up 920 compared with the end of first quarter 2007, with staff levels increasing across most business groups.

* * *

Closure of Dillon Read Capital Management

In May, UBS announced that DRCM, an alternative investment venture launched in 2006, had not met expectations and, as a result, it had decided to close the business. This process has now been completed. UBS paid back CHF 1.5 billion in outside investor interests, with clients receiving a positive return on their original investment. The portfolios, plus UBS's own capital that was previously managed by DRCM, have moved to the Investment Bank and are now managed within the fixed income division in an integrated fashion. The closure of DRCM led to a charge against profits of CHF 384 million pre-tax (CHF 229 million after tax). This includes accelerated amortization of deferred compensation of former DRCM employees and, to a lesser extent, write-downs for DRCM office leasehold improvements. Moreover, 122 of the 230 DRCM employees were transferred from Global Asset Management to the Investment Bank.

Outlook

This quarter's downturn in credit and equity markets was a timely reminder of the nature of financial risk, and has continued into third quarter. The asset and wealth management businesses show sustained strength, and investment banking deal pipelines remain promising. However, markets are currently very volatile, and forecasting is even more difficult than usual. If the current turbulent conditions prevail throughout the quarter, UBS will probably see a very weak trading result in the Investment Bank, offset by predictable earnings from wealth and asset management. This makes it likely that profits in the second half of 2007 will be lower than in the second half of last year.

7. On this news, UBS's stock collapsed to close at $51.49 per share on August 14, 2007, a decline of 16%, from July 2007, and a decline of 22% from late April 2007.

8. On October 30, 2007, UBS issued a press release announcing its financial results for the third quarter of 2007. The press release stated in part as follows:

> UBS reports an operating loss, before tax and minority interests, of CHF 726 million in third quarter 2007. This is within the range given in the announcement on 1 October 2007 forecasting a loss of CHF 600-800 million. After tax and minority interests, the net loss attributable to shareholders was CHF 830 million.
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> "Our third quarter result was unquestionably disappointing. However, we have introduced a number of measures to improve performance. With the new management team, we are implementing changes to address the weaknesses that led to the losses. These include the management, structure, and size of our balance sheet. We are also taking steps to strengthen our market risk management and control framework," said Marcel Rohner, UBS Chief Executive Officer.
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> The deterioration in UBS's performance in third quarter was mainly due to the substantial losses and writedowns in trading positions related to the US sub-prime residential mortgage-backed securities market, leading to revenues of negative CHF 4.2 billion in the Investment Bank's fixed income, currencies and commodities business.
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> When these positions, which are sizeable, were taken and of which UBS still holds a proportion, UBS offset them to some extent with hedges that were designed to mitigate risk in normal market conditions. However, the deterioration in the US sub-prime market, especially in August, was so severe and sudden that markets turned illiquid. There was a substantial deterioration in the value of these securities – including those with high credit ratings. Conditions in the US housing market continued to be weak in the quarter, and the end-September valuations UBS has put on its holdings of US mortgage-linked securities reflect this.
>
> UBS's other businesses, however, showed sustained strength. The wealth management businesses had an excellent quarter, with record levels of profitability. Asset gathering performance remained strong, with inflows of net new money in the wealth management businesses totaling CHF 40.2 billion in the quarter. Fees in both wealth and asset management remained high, driven by the level of invested assets, which stood at CHF 3.1 trillion on 30 September 2007.

9. In the days following this announcement, the price of UBS stock declined to as low as $49.27 per share.

10. Then, on December 10, 2007, UBS issued a press release entitled "UBS strengthens capital base and adjusts valuations." The press release stated in part as follows:

> UBS revises its outlook for its fourth quarter 2007 from an overall Group profit, as anticipated in its announcement of 30 October 2007, to a loss. It is now possible that UBS will record a net loss attributable to shareholders for the full year 2007.

> In response to continued deterioration in the US sub-prime mortgage securities market, partly driven by increased homeowner delinquencies but mainly fuelled by worsening market expectations of future developments, UBS has revised the assumptions and inputs used to value US sub-prime mortgage related positions. This will result in further writedowns of around USD 10 billion, primarily on CDO and "super senior"1 holdings. In light of continued deterioration in the sub-prime market, valuations of UBS's remaining sub-prime positions reflect the extreme loss projections implied by the prices achieved in the very limited number of observable market transactions in US sub-prime related securities and indices up to the end of November.

11. Following this announcement, the price of UBS stock declined to $48.78 per share, a 26% decline from the Class Period high.

12. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) Defendants had been informed by executives at Dillon Read that debt securities UBS held were impaired;

(b) Defendants had reason to believe other debt securities besides those held by Dillon Read were impaired, yet defendants failed to investigate the value of these and similar debt securities; and

(c) Defendants had failed to record impairment of debt securities which they knew or disregarded were impaired.

13. As a result of defendants' false statements, UBS's stock price traded at inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 26% from their Class Period high.

14. On October 12, 2007, *The Wall Street Journal* reported information actually known by officers of UBS in March 2007 regarding impaired debt securities – information defendants ignored when they refused to write down the impaired assets. The article stated in part:

> Since the invention of the ticker tape 140 years ago, America has been able to boast of having the world's most transparent financial markets.
>
> The tape and its electronic descendants ensured that crystal-clear prices for stocks and many other securities were readily available to everyone, encouraging millions to entrust their money to the markets.
>
> These days, after a decade of frantic growth in mortgage-backed securities and other complex investments traded off exchanges, that clarity is gone. Large parts of American financial markets have become a hall of mirrors.
>
> The hazards of this new age of uncertainty became clear at Dillon Read in March, when rising defaults by homeowners were hammering the value of mortgage securities. John Niblo, a hedge-fund manager at the firm, acted fast. He twice slashed his fund's valuation of securities tied to "subprime" mortgages, knocking them down by about 20%, or nearly $100 million, say traders familiar with the matter.
>
> But managers at UBS AG, Dillon Read's parent company, were irate. The Swiss banking giant was carrying similar securities on its books at a far higher price, the traders say. In conference calls, the UBS managers grilled Mr. Niblo on his move. "I'm marking to where I could reasonably sell them," Mr. Niblo responded during one call, according to the traders familiar with the conversations.
>
> UBS later shut down the in-house hedge fund, and Mr. Niblo was let go in August. Last week, UBS announced a $3.7 billion write-down on $23 billion of securities with mortgage exposure, including securities from the shuttered fund.
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> * * *
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> For Mr. Niblo, the Dillon Read hedge-fund manager, the problems began early this year. Mr. Niblo managed a portfolio of about $1 billion in CDOs and mortgage-backed securities. By February, rising mortgage defaults by homeowners with poor credit were taking a toll on the mortgage-backed market.
>
> Seeing the turmoil, Mr. Niblo, 47 years old, sought prices from more than a dozen Wall Street dealers, and in April marked down the portfolio of subprime mortgages by about $20 million, according to the traders with knowledge of the situation. Ramesh Singh, a UBS executive, scoured trading positions and asked Mr. Niblo how he was coming up with the prices to re-mark his portfolio, these traders say.

The mortgage-backed market continued to deteriorate. Again, Mr. Niblo sought prices from dealers and marked his portfolio down – this time by $75 million, the traders say.

Tense Conference Calls

A series of tense conference calls followed. Ramesh Chari, another UBS manager, complained about Mr. Niblo's valuations; they were lower than UBS's marks on similar securities, the traders say. He asked Mr. Niblo to explain his decision.

In response, Mr. Niblo asked how UBS could value the securities at a higher level "if we can't sell them at these prices?" according to traders.

Messrs. Singh and Chari declined to comment, referring questions about the matter to a UBS spokesman. The spokesman says UBS doesn't discuss "specifics of the valuation of individual trading books and positions. Obviously the characteristics of securities and the make up of portfolios differ from book to book and there is no single standard valuation model for all securities."

In June, Mr. Niblo was put on administrative leave as UBS sorted out the losses and valuation issues at Dillon Read. Mr. Niblo had priced many of the mortgage-backed securities in the range of 50 to 80 cents on the dollar, while UBS valued similar securities in the 80s, the traders say.

Last week, when UBS announced its write-down, Chief Executive Marcel Rohner said the firm had done the best it could. "We feel that we have applied a prudent valuation" that "reflects the current expectation of what's going to happen."

Still, Mr. Rohner himself highlighted the bigger issue clouding the financial markets. The trouble, he said, arose because UBS had to mark a price on mortgage-related securities "where there is no market price, where there is no trading."

JURISDICTION AND VENUE

15. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

16. Venue is proper here pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District. UBS has offices in this District and many of the acts and transactions giving rise to the violations of law complained of occurred here.

17. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

THE PARTIES

18. Plaintiff William L. Wesner purchased UBS stock described in the attached certification and was damaged thereby.

19. Defendant UBS and its subsidiaries provide a range of financial products and services worldwide. The Company's wealth management and business banking operations include the provision of a range of products and services for wealthy clients worldwide. These services range from asset management to estate planning and from corporate finance advice to art banking. The Company's business banking operations comprise providing a set of banking and securities services for individual and corporate clients in Switzerland. UBS is based in Zurich, Switzerland, and has branch offices in the United States and around the globe.

20. Defendant Peter A. Wuffli ("Wuffli") was, at all relevant times, President of the Group Executive Board and Group Chief Executive Officer ("CEO") of UBS until July 2007.

21. Defendant Clive Standish ("Standish") is, and at all relevant times was, Group Chief Financial Officer ("CFO") of UBS.

22. Defendant David S. Martin ("Martin") was Global Head, Interest Rate Products until he was forced out of the Company in October 2007.

23. Defendants Wuffli, Standish and Martin (the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of UBS's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their

issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, Wuffli, Standish and Martin knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. Wuffli, Standish and Martin are liable for the false statements pleaded herein.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

24. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about UBS. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of UBS common stock was a success, as it: (i) deceived the investing public regarding UBS's prospects and business; (ii) artificially inflated the price of UBS common stock; and (iii) caused plaintiff and other members of the Class to purchase UBS common stock at inflated prices.

BACKGROUND

25. UBS provides a range of financial products and services worldwide. The Company's wealth management and business banking operations include the provision of a range of products and services for wealthy clients worldwide. These services range from asset management to estate planning and from corporate finance advice to art banking. UBS's business banking operations comprise providing a set of banking and securities services for individual and corporate clients in Switzerland. UBS's asset management business includes the provision of traditional and alternative, and real estate investment solutions to private, institutional and corporate clients worldwide. UBS's investment banking operations include offering a range of products and services to corporate and institutional clients, governments, financial intermediaries and alternative asset managers. These services include advice and execution, as well as working with financial sponsors and hedge funds,

and serving private investors through the Company's wealth management business, as well as through other private banks; selling, trading, financing and clearing cash equity and equity-linked products, as well as structuring, originating and distributing new equity and equity-linked issues; and providing research on companies, industry sectors and geographical markets. The Company's investment banking operations also comprise fixed income, rates and currencies business that delivers a range of products and solutions to corporate and institutional clients worldwide; and providing a range of advisory and execution services to corporations, financial sponsors and hedge funds in various aspects of a transaction, including negotiations, structuring, coordination of due diligence processes, company valuations and drafting of internal and external communications materials.

PRE-CLASS PERIOD STATEMENTS

26. On February 13, 2007, UBS issued its fiscal year 2006 and fourth quarter of 2006 results, in a press release which stated:

> UBS reports net profit attributable to shareholders of CHF 12,257 million in 2006. Continuing operations contributed CHF 11,491 million and discontinued operations CHF 766 million.
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> Financial businesses' attributable profit from continuing operations was a record CHF 11,249 million in 2006, up 19% from the same period a year earlier.
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> "We are pleased to report that 2006 was another record year for UBS. The performance of our financial businesses improved for the fourth consecutive year. Even more importantly, we took a number of strategic steps to expand and develop our business in line with our growth ambitions," said Peter Wuffli, Chief Executive Officer.
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> UBS realized four significant acquisitions in 2006, three of which have already been completed. They will close important competitive gaps and help accelerate growth, particularly with regard to Banco Pactual in Latin America. The results of all businesses improved notably in 2006 from a year earlier. Net new money from clients totaled CHF 151.7 billion, with CHF 113.3 billion contributed by the wealth management businesses, which experienced strong client flows all around the world, and particularly in Asia and Europe. As a result of the strong inflows and rising markets, invested assets nearly reached the CHF 3 trillion mark. Recurring

fees, including asset-based revenues and income from private client lending businesses, were up significantly compared with 2005. Brokerage fees rose as well, reflecting the vigorous levels of financial market trading activity from institutional and private clients.

* * *

Outlook

UBS combines global scale and focus on growth in a unique way. Its businesses occupy strong market positions in those segments of the financial industry that are expected to grow significantly faster than the economy as a whole over the long term. In the short term, as the economic cycle matures, investors might become more sensitive to any disappointing political or economic developments, so UBS's top-class risk control remains paramount. However, for UBS, 2007 has started on a positive note, with a strong deal pipeline and continued investor confidence and activity. With a global presence that is balanced across the Americas, Europe and Asia Pacific, the building blocks of its growth strategy are firmly in place.

"Last year we made a highly concentrated number of acquisitions while investing heavily in organic growth. In 2007, our focus will be on integrating our new areas of activity and we expect to start seeing the benefits from them materializing for our clients and shareholders," said Peter Wuffli.

DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

27. In March 2007, executives at UBS subsidiary Dillon Read investigated the value of certain securities, informing certain of the defendants that UBS had impaired securities. On October 17, 2007, *The Wall Street Journal* published an article which described the situation as follows:

The hazards of this new age of uncertainty became clear at Dillon Read in March, when rising defaults by homeowners were hammering the value of mortgage securities. John Niblo, a hedge-fund manager at the firm, acted fast. He twice slashed his fund's valuation of securities tied to "subprime" mortgages, knocking them down by about 20%, or nearly $100 million, say traders familiar with the matter.

But managers at UBS AG, Dillon Read's parent company, were irate. The Swiss banking giant was carrying similar securities on its books at a far higher price, the traders say. In conference calls, the UBS managers grilled Mr. Niblo on his move. "I'm marking to where I could reasonably sell them," Mr. Niblo responded during one call, according to the traders familiar with the conversations.

UBS later shut down the in-house hedge fund, and Mr. Niblo was let go in August. Last week, UBS announced a $3.7 billion write-down on $23 billion of securities with mortgage exposure, including securities from the shuttered fund.

28. On May 3, 2007, UBS issued its results for the first quarter of 2007, in a press release which stated:

> UBS reports net profit attributable to shareholders of CHF 3,275 million in first quarter 2007. This figure comprises both continuing and discontinued operations, resulting in a decline of CHF 229 million from first quarter 2006, when results included a CHF 290 million after-tax gain from the sale of Motor-Columbus.
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> In UBS's core operational businesses (financial businesses attributable profit from continuing operations), profit was a record CHF 3,182 million in first quarter 2007, up 4% from both first and fourth quarter 2006. Performance was driven by revenue growth in all businesses, despite negative trading revenues from the Investment Bank's proprietary capital managed by DRCM of approximately CHF 150 million in the context of difficult market conditions in US mortgage securities.
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> "Fee and commission income has reached its highest level since 2001, and represents more than half of our total income. Invested asset levels totalled CHF 3.1 trillion, up 4% from the beginning of the year, reflecting strong net new money inflows. This drove asset-based fees up in both the wealth and asset management businesses," said Clive Standish, UBS Chief Financial Officer.
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> Net income from trading businesses rose in first quarter 2007, with equities, in particular, being positively impacted by favorable market conditions in Europe and Asia Pacific. The prime services business benefited from increased client balances and fixed income revenues improved compared with the same quarter last year on strong performances in the structured credit, global credit strategies and syndicated finance businesses. Foreign exchange and cash collateral trading was strong across the board, with high volumes more than offsetting the effect of global increases in interest rates. Emerging markets, base metals and structured products all had a very strong quarter marked by significant growth.
>
> The record first quarter 2007 performance shows the strength of the wealth management business, whose power remains unmatched across the industry. Wealthy clients around the globe entrusted UBS with a total of CHF 44.8 billion in net new money in first quarter, 85% of the total net new money inflow.
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> Outlook
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> While it is likely that the economic expansion in the US will slow down over the next few months, there is increasing evidence from global macroeconomic data – most notably from Europe and major emerging markets – that the rest of the world economy is in good shape. In particular, UBS does not expect the difficulties being

experienced in the US mortgage market to have a negative long-term effect on a global scale.

UBS is convinced that clients will increasingly seek its advice, with financial markets just as challenging as ever. The deal pipeline remains strong and its business model and balanced global presence provide it with many opportunities.

"Over the course of 2007, we will concentrate on consolidating the investments we initiated last year. We will also continue to manage capital, risk and costs in disciplined fashion – and in line with market developments. The performance of our business – in common with the financial industry – tends to be stronger in the first quarter of the year than in the summer. In the past, we have repeatedly proven our strength in delivering strong returns throughout the business cycle, which makes us confident that 2007 will be another successful year of growth for UBS," said Clive Standish.

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Invested assets

Invested assets, benefiting from net new money and rising financial markets, totaled CHF 3,112 billion on 31 March 2007, up 4% from 31 December 2006.

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Investment Bank

In first quarter 2007, pre-tax profit was at an all-time quarterly record of CHF 1,801 million, up 3% from the performance a year earlier.

Total operating income in first quarter 2007 was a record CHF 6,260 million, up 5% from the same quarter a year earlier.

The equities business posted record revenues of CHF 3,128 million in first quarter 2007, up 10% from first quarter 2006, when it benefited from gains on NYSE membership seats. All businesses reported stronger revenues, but the most significant gains were in derivatives, proprietary trading, and equity capital markets. Prime brokerage revenues continued to grow as the number of clients increased and average balances rose, although this was partly offset by lower client spreads.

Fixed income, rates and currencies revenues were CHF 2,265 million, down 7% from the same quarter a year ago. Difficult market conditions in the US mortgage securities market led the business activities managed by DRCM to record losses. Revenues from the other parts of the FIRC business were up 19% from a year earlier. Credit fixed income saw significant growth across all aspects of the business. Emerging markets revenues also saw a strong increase. Performance in the rates business was down overall. A solid result in mortgage-backed securities, which benefited from high market volumes in Europe and Japan, was not enough to offset

results from derivatives and government bonds, both of which fell – largely due to a flat yield curve and lower volatility. Trading revenues in power and gas fell in first quarter 2007 from the same period a year earlier, while sales and trading in both commodities structured products and crude oil rose considerably. Performance in the foreign exchange and cash and collateral trading businesses was very strong across the board, as high volumes more than offset the continued pressure on spreads. Emerging markets, base metals, prime services and structured products all had a very strong quarter marked by significant growth.

Investment banking revenues, at CHF 865 million, rose 30% from first quarter 2006. This is a record for a first quarter, reflecting revenue growth in all regions, particularly in the Americas and Asia. Revenues from the advisory business grew strongly in a buoyant environment in which market share improved in all regions. The capital markets business also saw significant growth, led by equity capital markets and leveraged finance.

Total operating expenses in first quarter 2007 were up 6% from the same period last year. Personnel expenses rose as salary costs and contributions to retirement benefit plans increased to reflect higher personnel levels and annual pay increases.

Share-based compensation decreased 6% from the prior-year quarter, mainly reflecting the transfer of DRCM staff to Global Asset Management.

General and administrative expenses decreased by 4%, with the year-earlier quarter including a litigation provision for the settlement agreement with Sumitomo Corporation of CHF 112 million. This was partially offset by increased expenditure on occupancy, IT and other outsourcing and telecommunications and travel, mainly driven by higher personnel levels.

Market risk for the Investment Bank, measured by average VaR (10-day, 99% confidence, 5 years of historical data) increased to CHF 517 million in first quarter 2007 from CHF 391 million in fourth quarter 2006, while the range (the difference between maximum and minimum VaR) increased to CHF 258 million from CHF 162 million. As mentioned in fourth quarter 2006, the integration of Pactual from 1 December 2006 has resulted in an increase in average VaR for the Investment Bank.

29. On May 3, 2007, the Company filed its Form 6-K for the third quarter of 2006, which included the Company's previously reported financial results.

30. On July 6, 2007, UBS announced that Wuffli had been ousted as CEO. The press release entitled "Marcel Rohner appointed Group CEO, effective immediately," stated in part:

> The Board of Directors has appointed Marcel Rohner as UBS's Group Chief Executive Officer, effective today. He succeeds Peter Wuffli, who relinquishes all of his functions at UBS.
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> * * *
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> The Board of Directors and Peter Wuffli therefore decided to institute generational change only in UBS's operational management. Peter Wuffli will transfer all his functions, effective immediately, to Marcel Rohner, his deputy.

31. UBS stock declined slightly on this news but continued to be artificially inflated as defendants concealed the impaired assets.

32. In mid-July 2007, UBS stock declined in tandem with other bank stocks as the credit crunch exposed the poor underlying fundamentals of the banks' mortgage risk management, including at UBS.

33. On July 23, 2007, UBS issued a release to investors entitled "Investor Optimism Declines Slightly in July; Investors More Optimistic About Their Portfolios, But Cautious About Economy; Energy Prices and International Tension Top Investor Concerns." The release stated in part:

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> The record performance of the equity markets during the first half of July fueled a rise in the Personal Dimension of the Index, which measures investors' optimism about their individual investment portfolios, causing it to increase four points to 71. In contrast, the Economic Dimension, which measures investors' optimism about the US economy, fell six points to 16, suggesting that investors are more cautious about the outlook for the economy over the next 12 months.
>
> "Despite the sharp rise in the stock market this summer, investors are showing concern about the health of the overall US economy given the ongoing weakness in the housing market, rising food and energy prices, and turmoil in the sub-prime mortgage market," said Maury Harris, Chief US Economist, UBS Investment Bank.
>
> Energy prices continue to worry investors with seven in ten respondents saying they believe energy prices are hurting the current investment climate "a lot."

This number is down somewhat from the 76 percent in May and the 73 percent in June who held this view. Still, investor concern remains well above the 63 percent in March and 58 percent in February who felt this way.

Investors on average report paying $2.96 for a gallon of gas during the first half of July and say that they expect this to rise to an average of $3.12 over the next three months. Not surprisingly given the expectations of higher gas prices during the months ahead, 49 percent of investors say they plan to cut back on their summer driving, 40 percent expect to cut back on vacations and 62 percent said they will reduce spending in general.

International tensions remain among the greatest concerns of investors with 55 percent of investors pointing to this issue as hurting the investment climate "a lot." Investors are also increasingly concerned about the federal budget deficit, with 53 percent pointing to it as hurting the investment climate "a lot," up from 48 percent in June. The issue of illegal immigration continues to worry investors, with 45 percent saying it hurts the investment climate, unchanged from last month.

Local real estate remains a concern among investors, with 60 percent saying that conditions in their local community's residential market are getting worse, not getting better. This is up from 58 percent who held this view last month. Forty-one percent say that they are worried about the potential for a real estate crash in some local markets, up from 38 percent in June. Investors also worry about the problems in the sub-prime mortgage market spreading, as four in ten investors say that they are worried about a potential consumer credit crunch.

These findings are part of the 112th Index of Investor Optimism, which was conducted July 1-12, 2007. To track and measure Index changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobe, Chief Economist for Gallup, said the sampling included 800 investors randomly selected from across the country. For this study, the American investor is defined as any person who is head of a household or a spouse in any household with total savings and investments of $10,000 or more. Nearly 40 percent of American households have at least this amount in savings and investments. The sampling error in the results is plus or minus four percentage points.

34. On August 14, 2007, the Company issued its second quarter of 2007 results, in a release stating in part:

UBS reports net profit attributable to shareholders of CHF 5,622 million in second quarter 2007. This quarter's results include two items that had a significant impact on performance. The first item is the CHF 1,926 million post-tax gain from the sale of the 20.7% stake in Julius Baer, a result of the disposal of Private Banks & GAM in 2005. As the stake was held as a financial investment available-for-sale in UBS's accounts, the gain from its sale is included in performance from continuing operations. It is, however, no longer part of the continuing business, and UBS

believes that isolating its impact provides a clearer picture of performance. The second item is the charge of CHF 229 million after tax related to the closure of Dillon Read Capital Management (DRCM), recorded in Global Asset Management. Excluding these two items, attributable profit in UBS's core operational businesses (financial businesses' attributable profit from continuing operations) would have been CHF 3,455 million, up 14% from the same period a year earlier and 9% higher than the record first quarter 2007 performance.

* * *

The performance in fixed income, however, was not satisfactory. Continued difficulties in the US mortgage securities market led to lower revenues in the rates business and further losses on some of DRCM's former portfolios, which contributed net negative revenues of approximately CHF 230 million in second quarter 2007. These developments were partially offset by robust credit fixed income results, which rose on global credit trading and proprietary strategies.

Total operating expenses rose 21% to CHF 9,695 million in second quarter 2007 from the same quarter a year earlier. Approximately a fourth of the cost rise was attributable to the closure of DRCM. For the other parts of UBS, accruals for performance-related payments increased in line with revenues. Personnel expenses rose due to higher numbers of personnel, partially related to acquisitions, including Piper Jaffray and McDonald Investments. General and administrative expenses rose, with administration costs up partly due the inclusion of the acquisition of Banco Pactual. Professional fees rose due to the closure costs related to DRCM and higher legal fees. The expansion of UBS's businesses and the related increases in personnel drove travel and entertainment costs and expenses for office space higher. IT and other outsourcing costs rose on the increased business volume. The number of personnel in the financial businesses was 81,557 on 30 June 2007, up 920 compared with the end of first quarter 2007, with staff levels increasing across most business groups.

* * *

Closure of Dillon Read Capital Management

In May, UBS announced that DRCM, an alternative investment venture launched in 2006, had not met expectations and, as a result, it had decided to close the business. This process has now been completed. UBS paid back CHF 1.5 billion in outside investor interests, with clients receiving a positive return on their original investment. The portfolios, plus UBS's own capital that was previously managed by DRCM, have moved to the Investment Bank and are now managed within the fixed income division in an integrated fashion. The closure of DRCM led to a charge against profits of CHF 384 million pre-tax (CHF 229 million after tax). This includes accelerated amortization of deferred compensation of former DRCM employees and, to a lesser extent, write-downs for DRCM office leasehold improvements. Moreover,

122 of the 230 DRCM employees were transferred from Global Asset Management to the Investment Bank.

Outlook

This quarter's downturn in credit and equity markets was a timely reminder of the nature of financial risk, and has continued into third quarter. The asset and wealth management businesses show sustained strength, and investment banking deal pipelines remain promising. However, markets are currently very volatile, and forecasting is even more difficult than usual. If the current turbulent conditions prevail throughout the quarter, UBS will probably see a very weak trading result in the Investment Bank, offset by predictable earnings from wealth and asset management. This makes it likely that profits in the second half of 2007 will be lower than in the second half of last year.

35. *The Evening Standard* reported on August 14, 2007, in an article entitled "UBS warns of blow from global turmoil," that:

Swiss bank UBS today warned that recent blood-letting in financial markets around the world will hit profits this year.

The firm a major employer in London with offices across the City said the turmoil will take its toll on its investment banking arm.

The warning came as UBS delivered strong results for the second quarter when it became the first bank to report since stock markets starting plummeting last week.

Chief executive Marcel Rohner, who took over from the recently ousted Peter Wuffli, said: "If the current turbulent conditions prevail throughout the quarter, UBS will probably see a very weak trading result in the investment bank, offset by predictable earnings from wealth and asset management." Other banks are also expected to be hit as the true cost the uncertainty on financial markets hits home in the City, on Wall Street and further afield in the coming months.

Shares around the world dived last week as fears of a global credit crunch sent investors running for cover.

* * *

UBS has struggled with internal uncertainty following the ousting of Wuffli last month.

He paid the price for his defence of in-house hedge fund Dillon Read Capital Management, which collapsed after it ran up heavy losses from bad debts on the American subprime mortgage market.

UBS was today hit by a charge of Swfr384m (£158.9m) relating to the collapse as the subprime crisis continued to spread.

It also paid back Swfr1.5 billion to outside investors.

36. On this news, UBS's stock collapsed to close at $51.49 per share on August 14, 2007, a decline of 16%, from July 2007.

37. On October 30, 2007, UBS issued a press release announcing its financial results for the third quarter of 2007. The press release stated in part as follows:

> UBS reports an operating loss, before tax and minority interests, of CHF 726 million in third quarter 2007. This is within the range given in the announcement on 1 October 2007 forecasting a loss of CHF 600-800 million. After tax and minority interests, the net loss attributable to shareholders was CHF 830 million.
>
> "Our third quarter result was unquestionably disappointing. However, we have introduced a number of measures to improve performance. With the new management team, we are implementing changes to address the weaknesses that led to the losses. These include the management, structure, and size of our balance sheet. We are also taking steps to strengthen our market risk management and control framework," said Marcel Rohner, UBS Chief Executive Officer.
>
> The deterioration in UBS's performance in third quarter was mainly due to the substantial losses and writedowns in trading positions related to the US sub-prime residential mortgage-backed securities market, leading to revenues of negative CHF 4.2 billion in the Investment Bank's fixed income, currencies and commodities business.
>
> When these positions, which are sizeable, were taken and of which UBS still holds a proportion, UBS offset them to some extent with hedges that were designed to mitigate risk in normal market conditions. However, the deterioration in the US sub-prime market, especially in August, was so severe and sudden that markets turned illiquid. There was a substantial deterioration in the value of these securities – including those with high credit ratings. Conditions in the US housing market continued to be weak in the quarter, and the end-September valuations UBS has put on its holdings of US mortgage-linked securities reflect this.
>
> UBS's other businesses, however, showed sustained strength. The wealth management businesses had an excellent quarter, with record levels of profitability. Asset gathering performance remained strong, with inflows of net new money in the wealth management businesses totaling CHF 40.2 billion in the quarter. Fees in both wealth and asset management remained high, driven by the level of invested assets, which stood at CHF 3.1 trillion on 30 September 2007.

38. In the days following this announcement, the price of UBS stock declined to as low as $49.27 per share.

39. Then, on December 10, 2007, UBS issued a press release entitled "UBS strengthens capital base and adjusts valuations." The press release stated in part as follows:

> UBS revises its outlook for its fourth quarter 2007 from an overall Group profit, as anticipated in its announcement of 30 October 2007, to a loss. It is now possible that UBS will record a net loss attributable to shareholders for the full year 2007.
>
> In response to continued deterioration in the US sub-prime mortgage securities market, partly driven by increased homeowner delinquencies but mainly fuelled by worsening market expectations of future developments, UBS has revised the assumptions and inputs used to value US sub-prime mortgage related positions. This will result in further writedowns of around USD 10 billion, primarily on CDO and "super senior"1 holdings. In light of continued deterioration in the sub-prime market, valuations of UBS's remaining sub-prime positions reflect the extreme loss projections implied by the prices achieved in the very limited number of observable market transactions in US sub-prime related securities and indices up to the end of November.

40. Following this announcement, the price of UBS stock declined to $48.78 per share, a 26% decline from the Class Period high.

41. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) Defendants had been informed by executives at Dillon Read that debt securities UBS held were impaired;

(b) Defendants had reason to believe other debt securities besides those held by Dillon Read were impaired, yet defendants failed to investigate the value of these and similar debt securities; and

(c) Defendants had failed to record impairment of debt securities which they knew or disregarded were impaired.

42. As a result of defendants' false statements, UBS's stock price traded at inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales of the Company's stock sending them down more than 26% from their Class Period high of $66.26.

43. The market for UBS common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, UBS's common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired UBS common stock relying upon the integrity of the market price of UBS's common stock and market information relating to UBS, and have been damaged thereby.

44. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of UBS's common stock , by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

45. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about UBS's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of UBS and its business, prospects and operations, thus causing the Company's common stock to be

overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

Additional Scienter Allegations

46. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding UBS, their control over, and/or receipt and/or modification of UBS's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning UBS, participated in the fraudulent scheme alleged herein.

Applicability of Presumption of Reliance:
Fraud on the Market Doctrine

47. At all relevant times, the market for UBS's common stock was an efficient market for the following reasons, among others:

(a) UBS stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient market;

(b) As a regulated issuer, UBS filed periodic public reports with the SEC and the NYSE;

(c) UBS regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) UBS was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

48. As a result of the foregoing, the market for UBS's common stock promptly digested current information regarding UBS from all publicly available sources and reflected such information in the prices of UBS's common stock. Under these circumstances, all purchasers of UBS's common stock during the Class Period suffered similar injury through their purchase of UBS's common stock at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

49. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was

false, and/or the forward-looking statement was authorized and/or approved by an executive officer of UBS who knew that those statements were false when made.

LOSS CAUSATION/ECONOMIC LOSS

50. By misrepresenting UBS's financial statements, the defendants presented a misleading picture of the Company's business and prospects. Thus, instead of truthfully disclosing during the Class Period that UBS's business was not as healthy as represented, UBS falsely overstated its net income, and falsely represented that its business was growing.

51. These claims of profitability caused and maintained the artificial inflation in UBS's stock price throughout the Class Period and until the truth about its future earnings was revealed to the market.

52. Defendants' false and misleading statements had the intended effect and caused UBS stock to trade at artificially inflated levels throughout the Class Period, reaching as high as $66.26 per share.

53. In July 2007, the market became aware of the problems the banks (including UBS) had with subprime debt. By August 2007, it was apparent to the market that UBS would have to write-down its debt securities. The, by December 2007, the likely full extent of UBS's writedowns became known to the market.

54. As a direct result of defendants' admissions and the public revelations regarding the truth about UBS's profitability and its actual business prospects going forward, UBS's stock price plummeted as detailed herein. These drops removed the inflation from UBS's stock price, causing real economic loss to investors who had purchased the stock during the Class Period.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

55. Plaintiff incorporates ¶¶1-54 by reference.

56. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

57. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

(a) employed devices, schemes and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of UBS common stock during the Class Period.

58. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for UBS common stock. Plaintiff and the Class would not have purchased UBS common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

59. Plaintiff incorporates ¶¶1-58 by reference.

60. The Individual Defendants acted as controlling persons of UBS within the meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their ownership of UBS stock, the Individual Defendants had the power and authority to cause UBS to engage in the wrongful conduct complained of herein. UBS controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

61. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired UBS common stock during the Class Period (the "Class"). Excluded from the Class are defendants.

62. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. UBS has over 1.93 billion shares of common stock outstanding, owned by hundreds if not thousands of persons.

63. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) whether the 1934 Act was violated by defendants;

(b) whether defendants omitted and/or misrepresented material facts;

(c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) whether defendants knew or deliberately disregarded that their statements were false and misleading;

(e) whether the price of UBS common stock was artificially inflated; and

(f) the extent of damage sustained by Class members and the appropriate measure of damages.

64. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

65. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

66. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;

B. Awarding plaintiff and the members of the Class damages, including interest;

C. Awarding plaintiff's reasonable costs and attorneys' fees; and

D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: December 12, 2007

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CERTIFICATION OF NAMED PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS

WILLIAM L. WESNER ("Plaintiff") declares:

1. Plaintiff has reviewed a complaint and authorized its filing.

2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

Acquisitions:

Date Acquired	Number of Shares Acquired	Acquisition Price Per Share
5/11/07	200	63.01
12/04/07	200	49.557

Sales:

Date Sold	Number of Shares Sold	Selling Price Per Share

5. Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as detailed below during the three years prior to the date of this Certification:

6. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery,

except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 7th day of December, 2007.

William L. Wesner

WILLIAM L. WESNER